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# **The Impact of Foreign Ownership on Gender and Employment Relations in Large Japanese Companies**

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## **Abstract**

Despite two decades of stagnation in Japan since 1990, there is remarkably little evidence of radical change in Japanese economic institutions, including employment relations. However, Japan has seen a steady increase in foreign mergers and acquisitions, which can challenge existing institutional patterns.

Women have traditionally been excluded from core membership of the Japanese corporate community. Drawing on case studies of several companies, some acquired, some not, this article examines the impact of foreign ownership on the role of women in the Japanese workplace.

Although prospects for women improve at foreign-acquired companies, this is not necessarily accompanied by a change in attitudes towards gender. We conclude that while a change of ownership can cause changes in practice, wider societal shifts will be required to alter significantly the position of women in Japanese enterprises.

## **Keywords**

multinationals, Japanese companies, women, careers, human resource management

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## **Introduction**

Japan has seen 20 years of stagnation and relative economic decline and faces serious challenges as its population ages. In 2010 Japan's support ratio (the number of people of working age compared to those beyond retirement age) was 2.6:1 and is set to drop to 1.2:1 by 2050 – the lowest amongst the world's rich countries (Economist 2011). There are calls for Japanese companies to make more use of hitherto underutilised segments of the labour force, such as older people and women, both for equity and to improve national competitiveness (e.g. OECD 2008). Such calls often assume that Japan should move from its historically communitarian organisational practices to more market-oriented ones, a shift in the very basis of Japanese capitalism.

This article explores the impact of foreign takeover on Japanese employment practices, with particular emphasis on the position of women in the Japanese workplace. Historically, there has been little cross-border merger and acquisition (M&A) involving Japanese firms (see Paprzycki and Fukao 2008 p26), but more recently there have been several high profile acquisitions of Japanese firms by foreign firms. We argue that such acquisitions may lead to changes in employment practices, including gender patterns. The percentage of female managers in Japanese corporations has been extremely low historically – does foreign ownership change this?

The distinctiveness of the Japanese employment model has long been recognized, although its nature, origins and interpretation have been contested (McCormick 2007). Early observers (Abegglen 1958; Dore 1973; Rohlen 1974) emphasised its communitarian nature, manifested in practices such as lifetime employment, seniority based pay and company unions and concluded that these fostered high employee commitment. Others argue that these practices

formed an ‘institutional interlock’ from which Japanese firms derived competitive advantage (e.g. Aoki 1990), whilst critics see the model as exploitative (e.g. Dohse, Juergens and Malsch 1985). A common theme, however, is the heavily ‘gendered’ nature of the Japanese workplace, with broad agreement that women are largely peripheral members of the corporate community.

However, if a company from one system takes control of a company from another, might the new owners introduce human resource practices more in line with those found in their home country, or with global ‘best practice’ (see also Olcott 2009)? There is certainly evidence of convergence towards ‘best practice’ following cross-border acquisition (e.g. see Child, Faulkner and Pitkethly 2001 pp. 166-180) although the nationality of acquirers plays a role in adaption to local conditions (e.g. Whitley 2001).

### **Traditional Gender Patterns in the Japanese Workplace**

Although much has been written about the position of women in the Japanese workforce, articulating a gender-based typology of Japanese employment practices is not straightforward. Some commentators see the influence of Confucianism (which emphasised orderly, patriarchal hierarchies at home as a key foundation of a well-ordered society) in Japan’s employment system, for example in the weight attached to attributes such as age, seniority and meritocracy (Clark 1979). Evidence of a Confucian legacy can be seen in gender relations too, specifically in the division of labour between men and women, with the latter’s role being predominantly domestic (e.g. Sekiguchi 2010), in hierarchical relationships between men and women and in the assumption that women will leave a company on marriage or pregnancy. Patriarchy in Japanese employment practices could be seen in the direct involvement of large corporations in promulgating clear ‘household’ roles for women in the post-war decades (e.g.

Gordon 1997) and has been reinforced by ‘dual track’ career structures, by job segregation such as work duty gendering (Kimoto 2003) and by limited incentives for male-dominated HR departments to devote training and development resources to women who will leave the firm on marriage. Average male tenure in Japan at 12.8 years is the longest of any OECD country and the gap between male and female tenure is the largest, contributing to a far greater wage differential between male and female full-time employees (32% compared to the OECD average of 18.3%) than any other OECD country, apart from Korea<sup>1</sup>.

From a comparative perspective, a useful starting point in analysing the role of women in the Japanese workplace is to locate Japan within welfare-state theory (e.g. Esping-Andersen 1990; Orloff 1996). Esping-Andersen (1997) distinguishes between three types of welfare state (liberal, social democratic and conservative) and asserts that Japan combines elements of all three, but with both liberal features (residualism and private, especially corporate, welfare) and conservative features (status-segmented insurance and familism) especially prominent. As well as a strong commitment to full employment and a tradition of corporate occupational welfare (Dore 1973), Esping-Andersen notes the strong Confucian ethic in Japan in which families take responsibility for the elderly, meaning that only modest levels of state provision are required.

Osawa’s (2007) analysis of ‘livelihood security systems’ distinguishes between ‘market-oriented’, ‘male breadwinner’ and ‘work/life balance’ models. Her typology shares some common elements with Esping-Andersen’s typology of welfare states. Locating Japan within the ‘male breadwinner’ category of livelihood systems goes some way to addressing feminist critiques of Esping-Andersen’s work (e.g. Orloff 1993 p317), namely that its focus on the core idea of de-commodification is implicitly male-centric. With greater attention to power

relationships at the level of the family/household, the livelihood security systems perspective identifies ways in which benefits that decommodify labour have different outcomes for men and women. Moreover, its focus on power provides insight into how the values and priorities of the incumbent (male) elite have shaped the Japanese employment system along with Japan's broader welfare systems. The idea that a gender-based division of roles within the enterprise is reinforced by a livelihood system based on a male breadwinner model partially explains why change is so slow and difficult. Osawa argues that a livelihood system of this nature breeds an ideology of Japanese 'managerial familism' that reinforces the bond between employers and male employees. Men are granted lifetime membership of corporate communities, but women are placed in the domestic sphere, outside these communities.. The Japanese welfare system reinforces this by placing heavy reliance on male breadwinners: payouts under social insurance schemes, for example, tend to require a continuous employment record. Japanese state pensions see wives as 'survivors' when their husbands die but not vice versa, explicitly assuming that women will require state support following the demise of their husbands. Moreover, the wage system that developed in Japan in the post-war period specifically includes allowances for the living expenses of male employees *and* their families.

Thus, at the heart of the patriarchal Japanese 'community firm' is an intense, long-term relationship between core (male) employees and employers. This distinction between core and periphery echoes Friedman's work (1977) on strategies of control, except that amongst the major Japanese corporations both regular blue-collar employees and university graduate male white-collar employees are community insiders, enjoying employment security and seniority-based wages. Those on the periphery include irregular blue-collar workers and clerical white-collar employees, the vast majority of whom are female. The practice of 'dual tracking'

whereby firms divide employees, particularly white-collar ones, into two categories, *sōgōshoku* (employees on the management fast-track) and *ippanshoku* (clerical staff recruited from high-school or junior college) reinforces the divide. A survey conducted in 2000-2001 found that of the total of 139,322 *sōgōshoku* employees surveyed, only 3,042, or 2.2%, were female (JIL 2001). Managerial staff rotate frequently between jobs and are often required to move to other locations at short notice, which can cause difficulties for career-orientated women. Thus, Even in the retail sector, which employs a large number of women and where separate HR policies for males and females have long been abandoned, the patriarchal nature of personnel policies means that, in reality, women are restricted to ‘assistant’ managerial roles (see e.g. Kimoto 2003). Male-dominated, company-based unions have also focused on preserving the status of their core (male) members; gender issues have not been a priority for the main-stream labour movement in Japan (Gerteis 2009). Only 28% of union members are female, far below their representation in the total workforce. This, and the low rate of unionization of irregular workers, means that both unions and management tend to focus primarily on the interests of core workers (Miura 2001). Organizational practices and workplace culture therefore combine to perpetuate strong vertical segregation of women (Nemoto 2013).

The number of irregular, particularly part-time, workers 75% of whom are female, is also growing. The proportion of female irregular workers in Japan is only slightly higher than the OECD average, but there is a large gap between part-time and full time wages (56.1% of full-time wages in 2009, versus 71.3% in the UK, 82.1% in Germany and 83.4% in Sweden) which suppresses the average wage for women in Japan.

The number of women in major decision-making roles in large Japanese companies is also extremely small. The proportion of female junior managers (*kakarichō*) doubled between 1989 and 2006 to over 10%, but the number of female section chiefs (*kachō*) and division managers (*buchō*) remains low at 3.6% and 2.0% respectively (Rebick 2005). This is particularly acute in large companies; the incidence of female *kakarichō* is five times greater in firms with less than 100 employees than in firms with 5,000+ employees (Tachibanaki 2010). Lower perceived employment stability at small companies gives rise to greater opportunities for advancement for ‘outsiders’ (Steinhoff and Tanaka 1993). On measures of ‘gender empowerment’, an indicator of the position of women in the country’s political and economic decision-making process, only Korea ranked lower than Japan in 2007 (UNDP 2007). ILO statistics show Japan (in 2008) to have among the lowest percentage of women in the ‘administrative and managerial workers’ category at 9.3% (compared with Korea 9.6%, Bangladesh 10%, Thailand 23.7%, UK 35.7%, France 38.7%, US 42.7% and Mexico 30.7%).<sup>2</sup>

## **Recent Developments**

Two decades of relative economic decline in Japan have led to calls for a radical re-think of the employment system, including a greater role for women. The participation rate of women in the Japanese workforce has risen in recent years and now matches the OECD average of 60%.

By the 1970s a combination of factors had encouraged the re-evaluation of the role of women in the labour force. These included high economic growth, increasing demand for qualified labour and management; a shift in the structure of the economy towards services; increased supply of highly educated women and international pressure. However, despite legislation



culminating in the Equal Employment Opportunity Law (EEOL) in 1985, employers continued to resist provisions that, as they saw it, reduced employment flexibility. The EEOL contained many paternalistic provisions to ‘protect’ women but was widely seen as having limited ability to address gender inequality. Revisions in 1997 and 2006 strengthened provisions of the original EEOL, but “still fail to provide effective administrative remedies to employees complaining of sex discrimination or harassment. Enforcement is therefore left to the judicial system—and thus significantly diminishes the force of the EEOL” (Keizer 2008). The reality, as Gelb (2000) notes, is that the:

Narrowness of the law and its interpretation by the bureaucracy have permitted employers to modify their surface policies while continuing to exploit women and perpetuate traditional approaches based in gender bias...in Japan, where traditional norms are ingrained and powerful governmental and societal actors wish to block, halt or limit equality policy, only a more forceful approach will achieve results. (p403).

Expectations of women’s roles, both by employers and by women themselves, have thus been slow to change. Over two-thirds of women continue to leave their jobs on the birth of their first child and do not return to work thereafter (Gelb 2000) The prospects for ambitious women in Japan remain limited; as Tachibanaki (2010 p.269) points out:

Companies report that they have no women suitable for promotion; however, few women want to continue their corporate career and try for promotion when they know that such opportunities are not available to them.

Both cultural and economic efficiency explanations have been put forward for the persistence of the gender gap in Japan, but our review suggests that the gap has persisted because it has not been a priority for community insiders, whether management or labour unions, to change

practices which are based on traditional gender roles. In many ways, the government's efforts to preserve employment have reinforced the male breadwinner model. The asymmetric deregulation process (Miura 2001) which has focused on relaxing employment rules of irregular workers while maintaining stringent anti-layoff measures for regular workers has, if anything, widened the gap between community insiders and outsiders.

### **Women and Foreign-Owned Firms**

Ambitious Japanese women often prefer to work for foreign-owned firms, where prospects for advancement may be better than in Japanese-owned firms (JIL 2003). Foreign firms often have less traditional human resource policies than their Japanese counterparts, making them more attractive to women. According to the Japan Institute of Labour Policy and Training, the starting salaries for female graduates in foreign-affiliated firms in Japan are higher in absolute terms (by nearly 15%) and also closer to those of their male counterparts, with a gap of 3.4% at foreign affiliated firms compared to 4.8% at Japanese-owned firms. Holiday provision is better, with over 80% of foreign firms scheduling 120 days or more days off per annum, including weekends and public holidays, compared to only 25% of Japanese firms (JILPT 2007).

Seniority-based benefits are less marked in foreign firms and employment security is lower but wages are higher (Ono 2007), which is attractive to female employees who may leave the workforce temporarily to have children. In 2003 the percentage of women managers in foreign firms was double that in Japanese firms, at 12.3% compared to 5.5% (Ono and Odaki 2004). The top two companies in a Nikkei 'Female Workers' Opportunity Ranking' in 2012 were both foreign companies (IBM Japan and P&G).<sup>3</sup> Studies of the impact on women of a

foreign takeover are sparse, but suggest that barriers to management track careers are lowered (Bozkurt 2012).

Thus we argue that the extremely low proportion of female managers at Japanese firms is symptomatic of the difficulties women face in pursuing corporate careers in the context of a livelihood system based on a strong male breadwinner model. However, acquisition by non-Japanese companies offers the potential to break this pattern. The key questions of this article are therefore:

1. Does foreign ownership disrupt established gender patterns in employment relations, undermining the strong male breadwinner model?
2. If there is change, what are the drivers of this?
3. Does foreign acquisition trigger a change in underlying attitudes towards gender patterns at the workplace?

We aim to show, through an examination of HR practices and interviews at Japanese companies acquired by foreign firms, the extent of change in gender patterns and attitudes at such firms. We also examine a number of traditional Japanese firms operating in the same sectors as the acquired firms to explore whether such change is general, or specific to firms that have undergone a change in ownership.

## **Methods**

We investigated five Japanese enterprises that had undergone foreign acquisition. A cross section of eight employment practices was examined (see Table 3), including progression opportunities for women. Data were collected between 2002 and 2005; the Japanese companies had all been taken over by non-Japanese (Western) firms during the late 1990s and

early 2000s. The acquired companies were Nissan, Chugai Pharmaceutical, Shinsei Bank (formerly known as the Long Term Credit Bank) and two companies who requested anonymity and which we shall refer to as F-TelCo1 and F-TelCo2. Details of these companies are shown in Table 1.

Table 1 about here

The percentage of ownership of the foreign acquirer varied, but all the acquisitions were effectively under the control of the new owner. At the time of writing Nissan and Chugai remain under the control of their respective acquirers and the original investors in Shinsei retain a significant stake in the company, although the company was re-listed on the Tokyo Stock Exchange in 2004. Both F-TelCo1 and F-TelCo2 were subsequently sold (in 2006 and 2004 respectively) to a Japanese firm.

The foreign-acquired companies were compared to four Japanese firms in the same industries that had not been acquired (subsequently referred to as ‘traditional firms’) in order to assess the degree of ‘background’ change that had occurred in the absence of foreign ownership. The traditional firms all requested anonymity and so pseudonyms are used. The acquired firms, F-TelCo1 and F-TelCo2, both operate in the telecoms sector and therefore have been paired with one Japanese comparator company in that sector, J-TelCo.

#### *Acquired companies*

Three types of data were gathered from the acquired companies with the aim of ascertaining employment practices prior to acquisition, and how these changed following acquisition.

Census years of 1998 and 2003 were used as all M&A transactions were carried out between

these dates. In 2012 we also obtained additional data to show developments since 2003, where these were available from public sources, such as company websites.

The three sources of primary data were:

1. Human resources (HR) data. These were obtained from the HR department for each firm for 1998 (pre-acquisition) and for 2003 (post-acquisition). We use changes in the number of female managers as an indication of changes in gender equality in both the traditional and acquired companies. It was not possible to obtain HR data from F-TelCo 2, so this company does not appear in Table 2.
2. Employee interview data. A total of 60 white-collar employees were interviewed across all acquired firms. Interviews were conducted with members of various ages and seniority, including men and women and mid-career hires (i.e. those who had joined their companies part-way through their careers, something that is still relatively unusual in Japan). All interviewees were in head office functions (finance, sales, marketing, production, etc.) The interviews sought to understand perceptions of change subsequent to acquisition. We categorised interviewees by sex, age and 'career' vs 'mid-career hires'. Responses to questions about perceptions of change subsequent to acquisition were coded on a scale of 1-3; responses indicating 'no change' were scored as 1 whilst a perception of 'great change' was scored 3. Interviews were semi-structured and conducted in Japanese, recorded and then transcribed into English. The interviewees were all university-graduate, white-collar employees. The breakdown by category of employee was: male 83%, female 17%; age groups 22-34 years 14%, 35-45 years 56%, over 45 years 30%; and career employees 65%, mid-career hires 35%. Sixty two per cent of interviewees were of manager grade or higher.
3. Interviews with senior management (i.e. CEO and/or EVP level) and with members of the HR Department in each firm. The purpose of these interviews was to identify any changes to

employment practices that had occurred and the rationale for these. These interviews were also recorded and transcribed.

### *Traditional companies*

Similar data were gathered from the traditional companies. Although time constraints meant that employee interview data could not be obtained, HR data were obtained from the HR departments and interviews with senior management conducted, as at the acquired companies.

## **Analysis**

### *Evidence of Change in Traditional Companies*

Table 2 shows that in 1998 the four traditional companies had only a tiny number of female managers as a percentage of total managers, an average of 0.7%. By 2003, this percentage had almost doubled to 1.2%, but was still very small in absolute terms.

Table 2 about here

All four traditional companies reported that in 1998 they had been recruiting women into the management stream for some time, although none had specific targets for numbers of female managers. In all four the distinction between *ippanshoku* and *sōgōshoku* persisted and by 2003 there were no plans to end this. While all had started recruiting females into the *sōgōshoku* stream, J-MotorCo only began in 1990, late even by Japanese standards. A manager at J-MotorCo commented:

It's quite difficult for women still. A lot of the old fashioned people would still resist having a female boss.

J-MotorCo set up a 'Diversity Program' in 2002, but did not set specific targets for female managers, instead setting a general goal of 'increasing female participation'. Interestingly,

gender equality is apparently seen as a social, rather than a business issue; gender policy at J-MotorCo, for example, is considered a corporate social responsibility (CSR) activity.

In J-FinancialCo the number of female managers actually fell between 1998 and 2003, both in percentage and absolute terms. This was partly as a result of restructuring that took place in the early 2000s in which several banks merged, resulting in the departure of a number of female managers.

J-TelCo has had a number of prominent female managers who have been associated with major innovations at the company and shows the greatest increase in the proportion of female managers (from 7 to 29).

#### *Evidence of Change in Acquired Companies*

Without exception, the number of female managers rose more sharply at the acquired companies than at the traditional companies. In aggregate, there were five times as many female managers at the acquired companies in 2003 than in 1998 (against a rise of only 10% at the traditional companies). The most remarkable rise was at Shinsei, where female managers increased from just 1% of all managers to 10% five years later. The increase in female managers was also striking at Nissan and F-TelCo<sup>1</sup>. The increases, however, were from a very low base and even in 2003 the proportion of female managers at the acquired companies was still very low by western standards.

#### *Pre-acquisition Gender Patterns*

In 1998, the average percentage of female managers at the acquired companies was only marginally higher (0.8%) compared to the traditional companies (0.6%). Like the traditional companies, all the acquired companies practiced dual-tracking and three insisted on uniforms

for female *ippanshoku* employees. Interview data confirmed the existence of male-focused HR policies prior to acquisition. At F-TelCo2, for example, an HR manager noted:

Prior to acquisition, the company's HR policy was very conservative... Women were hired as assistants, had to wear uniforms and did very menial tasks. It was very much like a traditional Japanese bank.

The difference between the more rigid, seniority-based and hierarchical organisation of Japanese firms compared to the more fluid, flexible structures of foreign firms is described by a female manager who joined Chugai from Nippon Roche.

In the development of drugs, the person in charge of protocols did not have to be of management rank at Roche, so long as they were deemed to have the requisite ability. That simply couldn't happen at Chugai; you had to be a manager or above and this caused difficulties at the time of merger.

At pre-acquisition Chugai responsibility came with age and seniority. Men, who assumed they would be with the firm for the rest of their careers, could afford to wait whilst their seniority accumulated. For women keen to show their ability and progress, the expectation of a much shorter career before marriage and childbirth increased the attractiveness of foreign firms where responsibility and promotion could occur much more quickly.

Prevailing attitudes at the acquired companies prior to takeover appeared typical of 'communitarian' firms operating in a patriarchal environment. Several interviewees referred to the traditional role of males as breadwinners. A male employee commented:

In the Japanese social context there is a tendency for HR to pick the male over a female even if their ability is the same, because the male has responsibilities towards the family.

Another interviewee described the following incident:



It reminds me of the time once at [interviewee's previous firm] when the president invited a group of the top salesmen, including me, to drinks. He found that one of the men was still a bachelor and he asked him "Why haven't you married one of the company girls? I hire the most beautiful from university specifically so that they can marry my men!"

### *Post-acquisition Gender Patterns*

Three main factors appeared to be driving change at the acquired companies.

The first of these was the arrival of outside managers who were less immersed in the cultural norms and power relations that preserved gendered work practices. These managers came with different values, often explicitly aiming to change the male/female balance and communicated their determination to do so. Amongst the companies in the study, the strongest message was sent out by the CEO of Shinsei, who at an early stage set a specific target for the number of female managers. He commented:

I have asked Group Heads to come up with a plan that doubles the number of female managers in the next three years or so...[Some client-facing divisions] may think clients are not prepared to accept females compared with the stupid male employees! I think they are wrong. They all have to come up with a specific plan to increase the number.

This message appeared to be clearly understood throughout the company, with many interviewees referring to the CEO's determination to achieve this goal.

Although Nissan had not established targets for female employees, the company appeared determined to make changes and there was a five-fold increase in female managers between

1998 and 2003. The first quantitative target was established in 2004 after the setting up of a 'Diversity Development Office' and the 2005 Nissan Sustainability Report<sup>4</sup> stated that the company aimed to triple the number of female managers by 2007, raising the proportion to 5%. Within Nissan there was a strong sense of the business case for greater participation by women in the management of the company, given the part women play in decisions on car purchase<sup>5</sup>. In a recent interview, Nissan's CEO reported that not only had the 5% target for women managers been achieved, but that the objective was now to raise the figure to 10%<sup>6</sup>

At Nissan, the tone was set not only by the CEO but also by other expatriate managers – for example, the CFO was also actively involved in promoting female executives. A female executive from the Finance Department commented:

There are areas of course where Renault has made a difference. For example [CFO seconded from Renault] is very keen to see women advance and he has helped me with my career. The Finance Department was a difficult place for women to work and they didn't tend to last very long but it's better now. The situation will improve further over time and this will be a combination of overall social change, accelerated by the 'Renault factor'.

At Nissan and F-TelCo2, the global HR managers were non-Japanese. The (female) expatriate manager of HR at F-TelCo2 described the difficulties of changing the communitarian, patriarchal approach:

One of our managers is like a father to all his staff. He is going through his performance reviews and of course that affects pay here. He'll say: "No, that rating is too high. She's from a rich family so she doesn't need that much but he's just had another child so he

needs more”. We’re trying to develop a performance culture and when you’re confronted with that you realise there’s a long way to go.

The second driver of change for female employees was the introduction of specific measures to eliminate gender differences and to support female workers.

The most important of these was the abolition, at all the acquired companies, of the distinction between *ippanshoku* and *sōgōshoku*. At most firms almost all *ippanshoku* employees were female clerks with a different recruitment path to the elite *sōgōshoku*, so this represented a significant move. Some of the acquired companies also abolished uniforms for female staff, which also had an impact on attitudes. The Head of Retail Sales at Shinsei commented:

We had uniforms to accentuate the difference between male and female employees. So from day one, the CEO said “no uniforms”. There was consternation. People didn’t understand what that had to do with performance and meritocracy. But looking back, I think it was important because it made people realise there was no difference between male and female when it came to performance.

The company opened a child-care facility at its Head Office in 2003. In the ensuing three years, over 94% of female employees who took maternity leave returned to the bank, much higher than the national average. After the child-care centre opened, job applications from female university graduates increased by 20-30%.

A third mechanism of change stems from the experience of interacting with new managers and colleagues. This was particularly noticeable at Chugai, which merged with Roche’s

existing Japanese business, Nippon Roche. The number of female managers at Chugai tripled, almost entirely due to an influx of female managers from Nippon Roche. Employees were given responsibility at a much younger age at Roche, whereas at Chugai, seniority issues meant that it was almost unheard of for promising women to be given responsibility prior to marriage and child-rearing. Almost without exception, Chugai interviewees observed that the influx of women from Roche had caused changes to employee attitudes to gender (more so than any direct-management initiatives). Observing the activities of a particularly young and outspoken female manager from Nippon Roche, a Chugai manager commented:

I think Chugai were behind in this respect but quite a lot of female managers like [Person X] came over from Roche and I think that has had some impact. This will change things.

At the other acquired companies, the increase in the number of female managers came predominantly from external hiring. At F-TelCo1 there was only one female manager prior to the acquisition and although this number had risen to 20 by 2003, all but one of the female managers were hired from outside the firm. In 2003 F-TelCo1 had five female directors, all hired externally. Asked whether he detected any change, a male manager at F-TelCo1 said:

Yes, I think so. That's clearly a result of the takeover. There are a lot more female managers here now. Most of the female executives are from the outside, but this changes the environment.

Judged purely on the number of female managers at the acquired companies, then, it would appear that foreign ownership led to a significant, and in some cases, immediate impact. This was partly due to the arrival of new leaders who questioned traditional patterns, including patriarchal policies, combined with concrete measures such as the establishment of targets for female managers - immediately in the case of Shinsei, with some delay in the case of Nissan.

An additional factor, especially in the case of Chugai, was a large influx of female managers who previously worked at Roche Japan.

### *Perceptions of Change in Acquired Firms*

Did these actions lead to perceptions of fundamental change in gender patterns by members of acquired companies? To explore this, we asked interviewees for their perceptions of change to a range of traditional Japanese HR practices such as lifetime employment, seniority based rewards and consensual decision-making to see how changes in gender patterns were perceived relative to changes in other elements of the Japanese employment system.

Table 3 about here

Table 3 shows that despite the increase in female managers in the acquired companies, the dominant perception among interviewees was of only modest improvements in opportunities for women. Across the elements of the Japanese employment system shown in Table 3, the areas of greatest perceived change were a stronger orientation to shareholders, greater functional specialization and recruitment and reward systems. The percentage of employees interviewed who saw ‘great change’ in opportunities for female employees at the acquired companies was by far the lowest of any of the employment practices covered. Likewise, the percentage of interviewees who observed ‘no change’ was higher for gender patterns than for any other feature of the system. Amongst different categories of interviewee, women perceived slightly less change than did men, mid-career hires less than career employees and younger employees less than older employees.

These findings are surprising in the light of the sometimes substantial efforts of acquired companies to create more opportunities for women and the resulting increase in number of

female managers. The sharpest increase in female managers occurred at Shinsei and the perception of change was also greatest there. Interviewees in the other acquired companies perceived only limited change in opportunities for women.

The difficulty of changing entrenched attitudes of men was a persistent theme. In highly patriarchal corporate environments where the idea of a man working alongside a woman as an equal was rare in itself, the prospect of a man reporting to a woman was almost unthinkable. Several managers hinted at the deeply ingrained attitudes which would prevent rapid change. A manager at Nissan, whilst acknowledging the need for change, added:

In many ways the old thinking remains, and that goes for the way males, including me, would think if they had a female boss. I think most people would think that it just wouldn't go as well compared with having a male boss ...

Indeed, it often appeared difficult for the new management to convince established members that a problem of gender inequality even existed. The (expatriate) head of HR at F-TelCo2 described a presentation by her staff on the implementation of equality measures:

The way it was presented was quite amazing really...this is the way it came out: "This is the equal opportunities policy. We don't have any problems with equal opportunities in Japan but in the UK and US they do. We are a global company and therefore we must have this policy"!

A female executive who had joined the firm from a foreign firm alluded to patronising attitudes in the process of appraisal of females:

People who are appraising female subordinates conclude that "It's a difficult job for a female". It won't get better with this attitude.

Some interviewees thought that the attitude of women themselves was also a factor, with acceptance of the male breadwinner model preventing women from developing a long-term commitment to the firm. One female employee at Chugai commented:

Japanese women in general have a more conservative attitude compared with Western women and tend to leave soon after getting married. I don't think that's changed very much.

A Shinsei HR executive charged with improving promotion opportunities for women spoke of the difficulties:

While the infrastructure is now present for them to advance, they are not mentally prepared to put themselves forward for advancement.

A senior expatriate in the Shinsei Investment Banking Division, commented:

Gender diversity is about recognising that individual employees have different aspirations about how they engage in work. ...It's very easy to say "20%" but what happens when you over-promote people when you have this goal and you don't develop them or you don't look at their total career? Again, it has some unintended consequences and we are living with some of those. We need to have holistic, sustainable, well thought-through solutions to this. They're not slogans, they have to be backed up by substance.

For employees from the old regime, male and female, the legacy of historic HR policies, especially with respect to recruitment, continued to fashion expectations about gendered work roles. For such employees, the mere act of ownership change, even where the values of the new owners were quite different from traditional Japanese ones, was an insufficient condition for fundamental change in attitudes towards gender, at least in the short term.

## **Conclusions**

Cross border capital flows and increasing foreign ownership of Japanese firms represent a mode of potential intervention and disruption to established patterns of employment relations because they expose Japanese firms to influences from outside the traditional system.

The first question we posed in this article was whether traditional gender patterns in the workplace would be disrupted following foreign acquisition of Japanese firms. We found that change had taken place, and that a rise in the number of female managers, our main proxy for change in gender patterns, occurred at a much faster pace in acquired companies than in traditional firms.

Our second question concerned the drivers of such change. We found that a prime driver of change was the arrival of new, often non-Japanese managers. These managers eschewed the notion of firms as traditional, patriarchal communities and exhibited a strong desire to create more equal workplaces by changing the gender balance amongst their managers. Acquisition was followed by a rise in the number of female managers and by measures to break down gender distinctions which were restricting female advancement. Change was also caused, most obviously at Chugai, by a large influx of women who had previously operated outside the traditional system.

Our third question concerned changes to underlying attitudes to established gender patterns. Here we see low levels of perceived change in gender patterns relative to changes in other aspects of the Japanese employment system. While there was a marked increase in female managers, and whilst this was certainly noticed by most employees, the absolute number of female managers at the end of the census period (2003) was still very low by Western



standards. From a conceptual standpoint, welfare-state theory (Esping-Andersen 1990) identifies the apparently contradictory, liberal and conservative, elements of the welfare state that co-exist in Japan. We argue that from a gender perspective this does not go far enough to explain the strongly patriarchal nature of Japanese employment relations. However, the broader 'livelihood security' perspective highlights the centrality of the male breadwinner model (Osawa 2007) which is helpful in explaining the endurance of Japan's gendered division of labour. This also may explain why, despite the efforts of the new management, embedded attitudes towards traditional gender roles were so enduring. Comments from both sexes demonstrated continuing salience of the 'male breadwinner' model suggesting that Osawa's idea of 'managerial familism' is still very much alive in Japanese firms and that foreign ownership does not necessarily impact on this.

Japan's long period of economic stagnation may have undermined confidence in traditional work practices and elicited calls for more open employment systems in Japanese companies, but the alignment of interests of key institutions, such as large Japanese corporations and labour unions, limits fundamental change to the traditional male breadwinner model. Thus, gender patterns remain 'tethered' to the traditional Japanese context even more strongly than is the case with other elements of the employment system, thereby impeding change.

As a consequence of this, multinational firms who acquire Japanese firms are likely to find it very challenging to change existing attitudes to gender relations at the workplace. Changes in policy have not readily engendered attitudinal shifts: external recruitment of female managers and a great deal of time and energy all appear necessary, as reformers are going against a very deep grain. Our findings show that some aspects of the traditional Japanese employment system can apparently change due to a combination of wider social and economic conditions,

foreign ownership and vigorous leadership. However, as Nemoto (2013) has noted many organisational routines, formal and informal, reproduce gender patterns in the workplace. Wider cultural norms, such as men-as-breadwinners, are reinforced by the Japanese livelihood security system and these will take much longer to change.

The primary data on which this article is based were collected during the period 2003-05, which raises the question of how much has changed since then. A systematic answer to this question requires longitudinal data to chart the process of change over time, and this is a fruitful avenue for further research. However, recent publicly available data (mostly taken from company websites in 2012) shown in Table 2 reveals that the proportion of female managers at the acquired firms has continued rise, albeit at a slower rate than between 1998 and 2003, possibly reflecting the institutional constraints to which we have referred. Table 2 shows that Nissan's proportion of female managers has gone up by a factor of four between 2003 and 2012 and Chugai's and Shinsei's have more than doubled. Now that these firms have been under foreign ownership for more than a decade, it is possible that embedded attitudes are becoming progressively less 'tethered' to the traditional system. It is also possible that as the Japanese economy becomes more open – which it is currently showing little signs of doing (see e.g. World Economic Forum 2012 p213)- and the proportion of the workforce employed at foreign firms grows, then the pace of change may accelerate. Charting this process may be another fruitful line of future research. There has been change at the traditional firms, albeit from a low base, and differentials in proportions of female managers relative to the acquired firms have narrowed somewhat. At J-TelCo and J-PharmaCo the proportion of female managers doubled, whilst at J-MotorCo it tripled, between 2003 and 2012. The figure of 10% at J-FinanceCo stands out in Table 2, but this is only a target for 2012, set in 2010.

Our focus has been on Japan, but the findings of this article carry implications for understanding of the impact of globalisation on gender patterns at work more generally. Patriarchal influences, based on Confucianism, are said to be strong in both China and Korea. Korea (UNDP 2007) displays even more conservative attitudes towards gender than Japan. As other Asian countries increasingly engage in cross-border flows of trade and capital, and domestic firms become more exposed to foreign competitors setting up operations within their borders, will the patterns noted in this article recur elsewhere?

For Japan, the findings show that enterprise-level intervention does not necessarily lead to a redefinition of the role of women in the Japanese workplace. While actions by individual actors can change practices at the firm level, the patriarchal nature of Japanese corporate communities requires a deeper shift in key institutions, particularly employer federations, labour unions and, of course, government, before existing gender patterns will be seriously challenged.

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Table 1: Summary of Firms in the Study

Case Company	Acquiring Firm	Industry sector	No of interviews	Matched Traditional Firm	Year of acquisition
Nissan	Renault (France)	Automotive	11	J-MotorCo	1999
Chugai Pharmaceutical	Roche (Switzerland)	Pharmaceutical	13	J-PharmaCo	2001
Shinsei Bank	Ripplewood (US)	Finance	15	J-FinancialCo	2000
F-Telco 1	European Multinational	Telecoms	11	J-TelCo	2000
F-Telco 2	European Multinational	Telecoms	10	J-TelCo	1999

Table 2: Number of Female Managers: 1998 vs 2003

	Number of Female Managers			% of Female Managers		
	1998	2003		1998	2003	2012*
Nissan	5	35	7.0x	0.3	1.5	6
J-MotorCo	8	15	1.9x	0.1	0.2	0.7
Chugai	23	68	3.0x	1.7	3	6.7
J-PharmaCo	9	19	2.1x	0.5	1.1	2
Shinsei	16	100	6.2x	1	10	23
J-FinanceCo	144	124	-0.1x	1.2	1	10**
F-TelCo 1	1	20	20.0x	0.2	3.4	n/a
J-TelCo	7	28	4.0x	0.9	2.5	4.3
*2012 figures based on company websites **Target, set in 2010						

**Table 3: Perceptions of Change - Various Employment Practices**

	<b>% who see no change</b>	<b>% who see some change</b>	<b>% who see much great change</b>	<b>N</b>
Shareholder orientation	5.0	21.7	73.3	60
Functional specialization	6.7	28.3	65.0	60
Approach to recruitment	10.0	31.7	58.3	60
Seniority-based rewards	5.0	41.7	53.3	60
Long term employment	20.0	31.7	48.3	60
Consensus-based decision-making	15.0	38.3	46.7	60
Nature of training	18.3	43.3	38.3	60
Progression opportunities for women	23.3	61.7	15.0	60
Overall*	11.4	33.8	54.8	60

\* Average across all attributes

<sup>1</sup> <http://www.oecd.org/els/familiesandchildren/39696303.pdf>

<sup>2</sup> <http://laborsta.ilo.org> Table 1D Economically active population by occupation and status

<sup>3</sup> <http://www.nikkeibp.com/news/120507.html>

<sup>4</sup> <http://www.nissan-global.com/EN/COMPANY/CSR/CEO/index.html>

<sup>5</sup> See interview with Carlos Ghosn: [http://www.jksk.jp/oldweb/e/energy/01/ghosn\\_e.pdf](http://www.jksk.jp/oldweb/e/energy/01/ghosn_e.pdf)

<sup>6</sup> <http://knowledge.insead.edu/ILSTransculturalLeaderGhosn080501.cfm?vid=45>